



541-58th Street
Phone: 814-949-6513
FAX: 814-949-6505
E-mail: sapdc@sapdc.org

WRITTEN STATEMENT FOR THE RECORD

**Edward M. Silvetti, Executive Director
Southern Alleghenies Planning & Development Commission**

BEFORE THE

**SUBCOMMITTEE ON ECONOMIC DEVELOPMENT,
PUBLIC BUILDINGS AND EMERGENCY MANAGEMENT**

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

WASHINGTON, DC

JULY 12, 2006

INTRODUCTION

Thank you, Mr. Chairman and members of the Subcommittee, for the opportunity to testify on behalf of the reauthorization of the Appalachian Regional Commission (ARC).

My name is Ed Silvetti and I am Executive Director of the Southern Alleghenies Planning & Development Commission headquartered in Altoona, Pennsylvania. I am also here on behalf of the Development District Association of Appalachia (DDAA) and the National Association of Development Organizations (NADO) in support of legislation reauthorizing ARC, as well as to offer recommendations for improvement.

Let me start by offering my gratitude to Chairman Shuster and members of the Subcommittee for this invitation to testify on behalf of our efforts to improve local economies and the quality of life for our fellow citizens, not just within the six-county Local Development District that I serve, but on behalf of the seven Local Development Districts (LDDs) in Pennsylvania, the 72 Local Development Districts throughout the Appalachian Region and on behalf of the Appalachian Regional Commission (ARC), an innovative, inter-governmental model that has successfully fostered community and economic development for over 40 years.

As an LDD operating under the auspices of ARC, our agency promotes the development interests of six counties in Southcentral Pennsylvania: Bedford, Blair, Cambria, Fulton, Huntingdon and Somerset. As a public non-profit development agency, the Southern Alleghenies Commission has served its 470,000 citizens since 1967.

This is no digression from the issue before this Subcommittee today, but in 1975 when I was attending the Institute of Public Administration at the Pennsylvania State University, I had a course on intergovernmental relations. The Tennessee Valley Authority (TVA) and ARC were used as case studies. I am not as familiar with the TVA, but with respect to ARC, I learned that this federal/state/local partnership was an innovative and a unique way to target federal resources in a multi-state region that sorely needed it by any standard.

The need was well documented in 1965, prior to the Appalachian Regional Development Act becoming law. As graduate students in this particular course, we discussed federal support for various community and economic development efforts. ARC's model of federal-state-local

regional collaboration was an innovation in intergovernmental cooperation that had never before been attempted and it proved highly effective in planning, programming and budgeting for projects and for organizing the local leadership that would enhance the livelihood of Appalachian citizens by ameliorating the conditions that promoted non-performing economies.

The ARC model is unique among federal programs because it is a true intergovernmental partnership that preserves a direct federal role in investment and policy decisions. At the same time, it maintains a strong emphasis on state priorities and decision-making while encouraging the active participation of local governments, local economic development organizations and community groups.

As it happened, I went from Penn State to Southern Alleghenies Planning & Development Commission, walking off the street and talking management into hiring me. While I left in the early 1980s, I returned in 1993 to begin service as Executive Director.

The work remains a challenge and there is more to be done, but I believe our efforts have made a tremendous difference in our citizens' lives. I believe the record will show that, were it not for ARC, most of the investments in support of technical training, primary healthcare and job creation would not have occurred as they did.

Policy leaders and economic development professionals at the federal, state and local levels have closely monitored ARC and consistently cite the 13-state commission as the premier example for a successful regional approach to economic development. In recent years, the impressive record of ARC has inspired leaders from other impoverished regions to replicate the ARC model.

ROLE AND CONTRIBUTION OF ARC'S LOCAL DEVELOPMENT DISTRICTS

In the 13 state Appalachian region, 72 LDDs serve 410 counties and 23 million people. A typical district serves seven counties and 57 local municipalities. Sixty-six percent of LDDs serve populations less than 400,000 and 33 percent service populations under 200,000. On average, each one has 28 full-time employees who work on aging programs, business development finance, geographic information systems (GIS), environment, community and economic development, emergency planning and preparedness, human services, public

administration, transportation and workforce development. These services are all determined by local needs and priorities.

According to a March 2006 report compiled by the Development District Association of Appalachia studying the impacts and contributions of the LDDs, this network has yielded impressive results.

- Between 1990 and 2005, LDDs administered nearly 7,700 grants and projects totaling more than \$5.5 billion in pass-through and programmatic funds. In 2005 alone, LDDs administered over 1,000 grants and contracts totaling nearly \$400 million in federal investment.
- LDDs combined business development loan portfolio invested more than \$368 million in gap financing for businesses and entrepreneurs between 1995 and 2005. LDDs also made more than 2,250 business loans and leveraged an additional \$1.1 billion from the private sector in underserved regions and for companies and entrepreneurs struggling to secure traditional financing.
- Almost 60,000 jobs have been created or retained, and 96,000 workforce clients were prepared to contribute to the region's economy as a result of LDD programs from the mid 1990s to 2004.
- During the same time span, nearly 2.3 million seniors benefited from aging programs funded at \$425 million and administered by LDDs.

When given the opportunity to talk about what it is that Southern Alleghenies Planning & Development Commission does as an ARC LDD, I feel very comfortable in making a blanket statement that, in my experience, ARC has participated in virtually every economic development related project of any consequence in our six member counties. While I believe our region in Pennsylvania and Appalachian Pennsylvania as a whole is better off than other regions, it is difficult, if not impossible, to compete with more affluent areas in Pennsylvania, neighboring states and globally. ARC investments have been critical in moving projects forward and with being on the cusp of emerging issues like telecommunication, civic-leadership and asset based

development. ARC has filled the infrastructure and leadership gaps and has made a difference through its foresight and innovation.

No one working with the Appalachian program, and certainly not those of us working for LDDs, are unaware of the political process required to incubate, to authorize and to appropriate funds for this or any other program. With ARC, I have read the criticisms that have been leveled, and frankly, I could not disagree more with its critics. No human endeavor is perfect, far from it, but I testify here before members of this Subcommittee with complete certainty that, while the ARC process is “tweaked” a bit differently in each of the 13 Appalachian states, I am confident in recognizing that the Appalachian Regional Commission process, as an intergovernmental partnership, works exactly as it was planned. It works as I was taught it should work 30 years ago in graduate school at the Institute of Public Administration at Penn State University.

The LDD planning process is an on-going one. We compile, and annually update, a comprehensive investment strategy that guides our project selection process. As development opportunities present themselves we review these for consistency and ask ourselves if a positive difference in the quality of life will result. Scarce resources dictate that a cost benefit analysis be undertaken on projects. Ultimately, when Southern Alleghenies Planning & Development Commission’s Board of Directors prioritizes projects for ARC support, the Commonwealth of Pennsylvania and the ARC’s staff can rest assured that due diligence has been performed and projects being recommended meet the ARC code and are consistent with the ARC’s goals and performance metrics. But due diligence and cost-benefit aside, will a project, if supported by the ARC, help a community sustain itself? This is the question we pose when evaluating projects.

The Local Development Districts serve as vital link between ARC and the local communities by managing the project identification and local prioritization process. LDDs provide much-needed technical assistance in moving projects from the application and implementation stages and into final completion.

ARC’S IMPACT IN PENNSYLVANIA

In Pennsylvania, the Appalachian Regional Commission, in concert with the Commonwealth of Pennsylvania has funded not only infrastructure projects like business park development and community water/sewer systems that promote job growth, but also a program of hands-on, direct technical assistance that seeks to promote the growth of our small and

medium-sized businesses. This enterprise development program, matched with Commonwealth of Pennsylvania funds, was innovative when first established and has since become a national standard for economic development.

Enterprise development includes three major components common to Pennsylvania's Local Development Districts, business finance assistance, export outreach assistance and contract procurement assistance.

Just in the past year and a half, my District closed nearly 100 small business loans. The amount of money directly loaned was in the millions, but private sector dollars leveraged was over four times the public dollars. More importantly, new jobs were created. I could share equally impressive statistics showing the significant increase in export sales as well as the value of contracts which local companies have gained with state and federal agencies. Earlier this year, one of our company customers received an exporting award from the U.S. Commercial Service. Our LDD receive an award as well for its work with this company.

As a Local Development District, we also manage a seven-county regional tourism development effort, working closely with the Commonwealth of Pennsylvania and ARC headquarters in promoting this particular asset-based development.

We monitor the economic well being of our core industries, meeting individually with companies to assist them in their expansion efforts or to help stave off reductions in labor force and to prevent plant closings.

In an area not unlike the rest of Appalachia, the Southern Alleghenies region is undergoing major structural shifts in its economy, from one reliant on the relationship of transportation, steel and coal, to a knowledge based and service economy.

We help our region and communities promote the development of high growth, high demand jobs; we promote entrepreneurial strategies unique to our region and help guide our communities in developing adequate base infrastructure, including broadband technology that no one would argue is absolutely essential in order to compete, not just within Pennsylvania, but globally.

As a Local Development District, we reflect ARC's insistence that our efforts be performance based. Southern Alleghenies Commission has specific goals and objectives and measurable outputs and outcomes that we as a Local Development District plan in advance of every fiscal year. Staff reports to our Board of Directors on a quarterly basis show how we have performed as a steward of scarce state and federal resources. As a regional development organization, we understand the importance of performance measurement and we support the insistence by our ARC partners here in Washington and in Harrisburg that ARC dollars be used to leverage investment from the private sector.

In the past year, Pennsylvania's LDDs undertook an effort to map broadband deployment and advanced communications throughout the 52 counties of Appalachian Pennsylvania. We are brokering deployment on a county-by-county basis, tapping into federal, state and telecommunications funding available for this purpose. Our small communities do not have the resources, human or technical to do this alone.

The Appalachian Regional Commission has made a difference in the Southern Alleghenies and indeed in all of Appalachian Pennsylvania. But, while our social, community and economic metrics have improved, there are still counties that are one plant closing away from meeting distressed designation criteria.

ARC REAUTHORIZATION LEGISLATION

In May, the Senate Environment and Public Works Committee reported legislation (S 2832) reauthorizing ARC for five years, through 2011. The bill's concepts have garnered the support of NADO and the DDAA.

The bipartisan measure would initially authorize the Commission at \$92 million and grow to nearly \$110 million in its final year of authorization to account for increases in inflation and maintains requirements that at least 50 percent of ARC's grant funds go to projects or activities benefiting "distressed" counties and areas.

NADO and DDAA support provisions that refine the Commission's approach to targeting resources to the areas of greatest need. Specifically, the bill allows ARC to annually designate those counties that are "at risk" of becoming economically distressed. These are counties with fragile economies and are on the cusp of meeting the criteria for being designated as

“distressed.” These are areas that are truly in need of additional attention. ARC has recognized the special circumstances of these communities and has internally adopted special targeting protocols. The legislation codifies ARC’s existing practice in this area.

There is also support for provisions permitting ARC to fund projects in the “at risk” counties at up to 70 percent of project costs. Under current law, these projects may only be funded at 50 percent, while projects in designated “distressed” counties and areas can be funded at 80 percent of project costs. This provision reflects the special needs and challenges that persist in “at risk” counties.

Locally, we follow with interest ARC’s effort at designating “at risk” counties. We believe the “at risk” designation that monitors substate areas with weak economies and limited resources is a much needed marker for ARC support.

To further enhance and stabilize “at risk” areas and bring additional support to LDDs serving these communities, we encourage the inclusion of provisions allowing ARC to provide LDDs with a hardship waiver that increases the federal share for administrative grants up to 75 percent from the current 50 percent. LDDs working in designated “at risk” and “distressed” counties are under greater cost burdens. Providing the Commission the ability to reduce fiscal strain for these LDDs would only increase the chances that economic opportunity will grow in these communities.

CONCLUSION

Chairman Shuster and members of the Subcommittee, I believe in the Appalachian Regional Commission as a unique and highly successfully model for targeting and delivering and for the planning, programming and budgeting of limited federal resources. I believe that the Appalachian Regional Commission fulfills its inter-governmental mission. Once the rhetoric is stripped away and philosophy is set aside with respect to how our federal government should support community and economic development, the statistics, and indeed the results, show that federal, state, local partnerships result in significant long-term benefits.

It is not lost upon those of us working in the field that proposals have been made to emulate the Appalachian Regional Commission model. It does not surprise me; I know it works.

Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to appear before you this afternoon. I would welcome any questions.